

Windstream Communications
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August 1, 2012

Senator Timothy M. Keller, Chairman
Members of the Science, Technology & Telecommunications Committee

Re: Windstream Communications; Opportunities for further Broadband Deployment in New Mexico through the Connect American Fund ("CAF")

Dear Senator Keller & Committee Members:

Thank you for the opportunity to appear before your Committee and it's good to be in Hobbs and Lea County since it is Windstream's largest market in New Mexico. I will briefly address a very important topic in our state and that is making broadband available to our rural communities. As a result of significant reform by the Federal Communications Commission ("FCC") there has been a shift from the availability of federal funding from voice service to broadband. Consequently, the CAF as part of the National Broadband Plan has been created to help meet the objective of deploying broadband to unserved rural homes and businesses.

Under the CAF Phase 1, Windstream has been allocated a total of \$60.4 million dollars, however the rules provide that support is based on being able to add an additional unserved location for \$775 or less. This criteria adversely affects Windstream because it has already aggressively deployed broadband around the country, including New Mexico, where it was economically feasible to do so. Consequently, unserved locations that exist today are areas where the cost to deploy vastly exceed the \$775 criteria in the FCC rules.

Because of Windstream's continued commitment to deploy broadband to our rural communities, it has sought a waiver from the FCC that would enable it to use the full \$60.4 million. If the waiver is granted Windstream is also willing to contribute an additional \$12.2 million toward this deployment even though the CAF Phase I rules do not require a matching contribution.

What this Waiver means for New Mexico is as follows:

CAF Phase 1 funding without the waiver: \$107,725.00
CAF Phase 1 funding with the waiver: \$1,645,906.00
CAF Phase 1 funding with waiver + Windstream funding: \$1,982,297.00

Because granting of the waiver by the FCC would be of significant benefit to New Mexico rural consumers, Windstream is asking for the Committee's support to reach out to the FCC and members of the New Mexico Congressional delegation to encourage their support as well.

Sincerely,

Bill R. Garcia
Vice President of Government Affairs
Windstream Communications

New Mexico

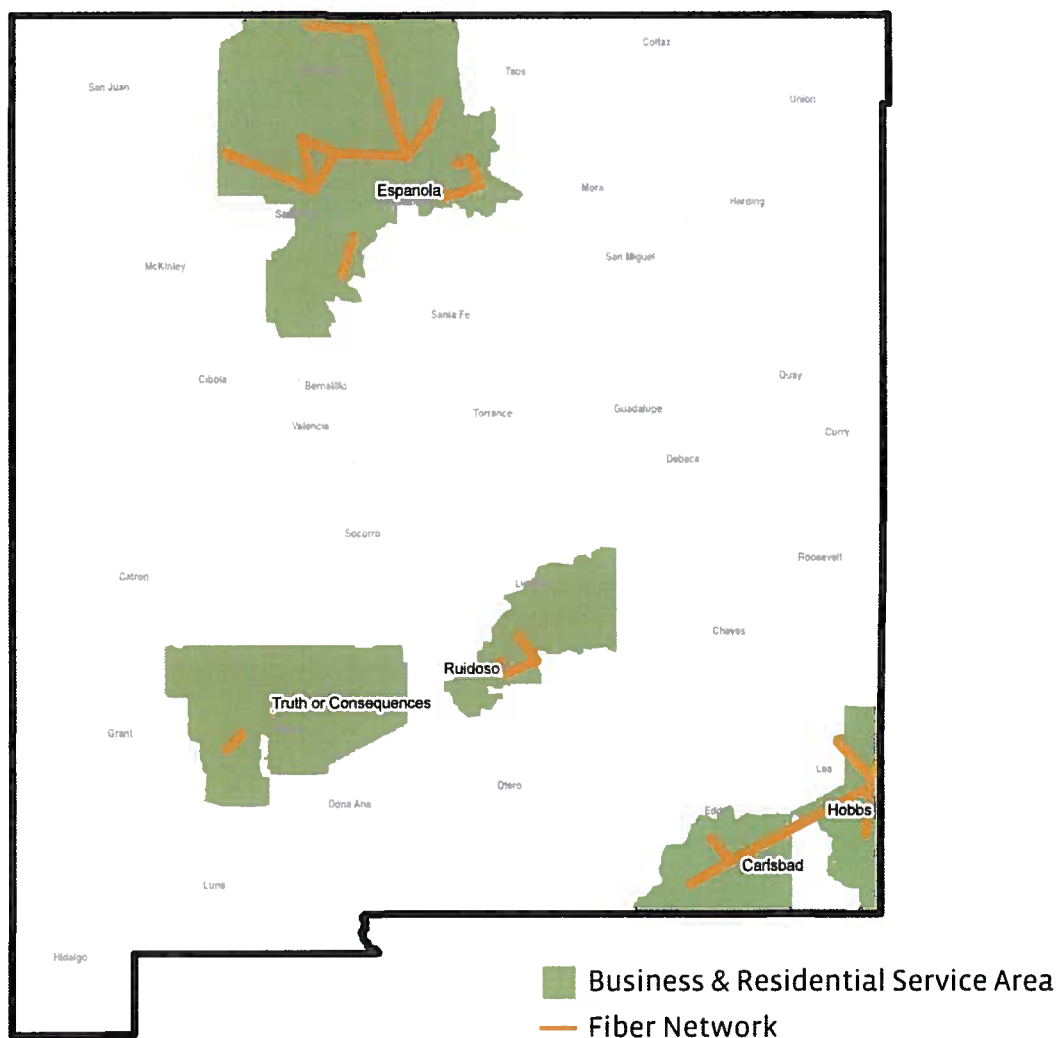


Windstream Corp. (Nasdaq: WIN) is a leading provider of advanced network communications, including cloud computing and managed services, to businesses nationwide. The company also offers broadband, phone and digital TV services to consumers primarily in rural areas. Windstream has more than \$6 billion in annual revenues and is listed on the S&P 500 index. For more information, visit www.windstream.com.

New Mexico Overview

Employees:	115
Payroll:	\$8.4M
Capital expenditures:	\$12M
State and local taxes paid:	\$7M

as of 12/31/11



Exchanges (34)

Abiquiu • Alto • Caballo Reservoir • Canjilon • Capitan • Carlsbad • Carlsbad Caverns • Chama • Chiricahua • Cuba • Dixon • Dulce • El Rito • Espanola • Eunice • Gallina • Hillsboro • Hobbs • Jal • Jemez Springs • Lindrith • Loving • Lovington • Lybrook • Ojo Caliente • Ruidoso • Ruidoso Downs • Ruidoso White Mountain • San Ysidro • Tierra Amarillo • Truches • Truth Or Consequences • Vallecitos • Velarde

Press summary

Tuesday, July 24, 2012

Today, Windstream submitted an election to utilize \$653,000 of the \$60.4 million allocated to it by the FCC for Phase 1 of the Connect America Fund (CAF-1). Because Windstream has aggressively invested its own capital in its broadband network over the past 10 years, there are very few areas in its territory that can be served for \$775 or less in government support, as required by the CAF-1 rules. In fact, Windstream can identify only 843 eligible locations under the CAF-1 rules. This represents less than 0.5 percent of Windstream's unserved rural locations.

In light of the urgent need for further rural broadband deployment, Windstream also seeks to immediately utilize the balance of its \$60.4 million allotment – \$59.8 million – to deliver first-time broadband to the lowest-cost remaining areas in the company's service areas. This funding would close the investment gap for nearly 17,000 homes and businesses in 15 states. To utilize this funding, Windstream today submitted a waiver application. Windstream is prepared to begin this work immediately upon FCC approval of the waiver.

Although CAF-1 rules do not require matching investment on the part of companies, Windstream pledges to provide \$12.2 million in matching funds. Thus, the total potential investment in these rural areas would be \$72.6 million.

None of the proposed projects would serve locations where broadband service is available today.

"After years of work with the Commission and Congress on rural broadband deployment, Windstream is excited that construction in more unserved areas could soon be underway," said Eric N. Einhorn, senior vice president of government affairs and strategy.

"The FCC has been funding fiber-optic projects in some rural areas for more than a decade, and with each passing year, those consumers in rural America who remain unserved have grown more frustrated and more vocal in telling Windstream, the FCC, and their members of Congress that they feel forgotten and that they have waited long enough for a broadband connection. These areas are costly to serve on a per-household basis and there is no reasonable business plan to serve them without FCC support. This is exactly the work described in the National Broadband Plan and just what universal service reform was intended to address."

- **Previous investment**

- Windstream has invested more than \$778 million over the past six years to extend broadband to approximately 92 percent of its voice customer base, up from 76 percent in 2006.
- As a result of broadband stimulus program funds received by Windstream under the American Recovery and Reinvestment Act of 2009 (“ARRA”), Windstream expects to spend at least an additional \$241.7 million (at least \$60.4 million of its own money to complement \$181.3 million in funding from the Rural Utilities Service) to deploy additional broadband facilities in high-cost areas in 13 states and boost company wide broadband availability to more than 93 percent.
- As a result of its extensive prior deployments, Windstream’s most significant broadband deployment challenges reside in the second mile. More than 9 out of every 10 unserved Windstream customers are unserved solely due to the cost of deploying second-mile facilities.
- **Stats on the reach of our proposed \$72.6 million investment**
 - Company contribution of \$800 per access line
 - Deploy 1,688 miles of fiber
 - Bring service to nearly 17,000 currently unserved locations
 - Based on the U.S. Census Bureau average household size of 2.59 people, grant of the waiver would thus lead directly to new broadband service for nearly 44,000 rural Americans



NEWS FROM
Tom Udall
UNITED STATES SENATOR • NEW MEXICO

For Immediate Release
July 26, 2012

Udall: Almost 8,000 in Rural NM to Get High-Speed Internet Access

WASHINGTON – Today, U.S. Senator **Tom Udall (D-NM)** announced that almost 8,000 rural New Mexico residents will gain high-speed internet access within the next three years as a part of the first phase of the Federal Communications Commission's (FCC) "Connect America Fund." Udall is a member of the Senate Commerce Committee, which oversees telecommunications issues.

Broadband and telecommunications companies CenturyLink and Windstream will receive \$2.3 million to build broadband infrastructure for New Mexico homes and businesses that currently lack high-speed internet access, connecting them to the \$8 trillion global internet economy.

"Broadband is a platform for economic growth," said Udall. "High-speed internet should be available to all, so that everyone in New Mexico can take advantage of new technologies to grow their businesses and improve access to healthcare and education."

Currently, nearly 47 percent of New Mexico's rural population, or approximately 220,000 people, lack access to high speed internet.

In its first phase, the "Connect America Fund" will implement projects to expand the broadband infrastructure to rural areas in 37 states, which will provide nearly 400,000 homes and business with high-speed internet access.

The "Connect America Fund" aims to connect all 19 million unserved rural Americans by 2020.

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NEWS

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This is an unofficial announcement of Commission action. Release of the full text of a Commission order constitutes official action.
See MCI v. FCC, 515 F 2d 385 (D.C. Circ 1974).

FOR IMMEDIATE RELEASE:
July 25, 2012

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**FCC KICKS OFF ‘CONNECT AMERICA FUND’:
7,700 NEW MEXICO RESIDENTS WILL BE CONNECTED TO
BROADBAND FOR THE FIRST TIME THROUGH \$2.3 MILLION IN
PUBLIC INVESTMENT LAUNCHING IMMEDIATE BUILD-OUT OF
HIGH-SPEED INTERNET INFRASTRUCTURE**

***Marks beginning of the most significant public-private effort in history to connect 19 million
unserved rural Americans by 2020***

Washington D.C – As a result of the FCC’s ‘Connect America Fund,’ launched last year as the most significant effort ever to connect all Americans to high-speed Internet, more than 7,700 rural residents of New Mexico who currently lack access to affordable, robust broadband will soon have access due to special early funding of \$2.3 million from the new program. Nearly 47% of New Mexico’s rural population – approximately 220,000 people – lacks access to high-speed Internet. New Mexico has the 4th lowest rate of rural broadband availability in the nation.

FCC Chairman Julius Genachowski said, “Last year, the Commission’s unanimous vote to create the Connect America Fund put the nation on a path to connect all Americans to high-speed Internet, without increasing overall funding. Today, 7,700 consumers in New Mexico who currently lack broadband can look forward to getting service soon through the acceptance of early Connect America funding by Windstream and CenturyLink, enabling them to quickly boost deployment to unserved customers. In today’s economy, access to broadband means access to jobs and economic opportunity, in addition to better education and healthcare. I applaud Windstream and CenturyLink for their commitment to accelerate broadband build-out by increasing private investment in rural communities, in partnership with the Connect America Fund.”

This marks the beginning of the most significant public-private effort in history to connect 19 million unserved rural Americans to high-speed Internet by 2020. As part of this first phase, the Commission announced today that more than \$100 million in early public funding will be matched by tens of millions of dollars in private investment, serving 36 states – including New Mexico – with unserved rural communities. Over the next ten years, nearly \$46 billion in public investment from the ‘Connect America Fund’ will spur billions more in private investment, directed almost entirely at broadband infrastructure projects in rural communities.

In New Mexico, Windstream Corp. and CenturyLink, Inc. have accepted \$2.3 million to provide broadband in 2900 locations. Windstream and CenturyLink must complete two-thirds of their new broadband commitments within two years, and the remainder by the third year.